

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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C O N F I D E N T I A L OSLO 4668

EO 11652: GDS

TAGS: PFOR ENRG NO

SUBJECT: FURTHER NORWEGIAN REACTION TO SECRETARY'S PROPOSAL
FOR ENERGY ACTION GROUP

REF: A) OSLO 4634; B) CAIRO 3997 (SECTO 96)

BEGIN SUMMARY: WE HAVE RECEIVED ADDITIONAL INDICATIONS THAT THE NORWEGIANS ARE SERIOUSLY INTERESTED IN THE PROPOSED ENERGY ACTION GROUP. THE AMBASSADOR HAS BEEN PROMISED A WRITTEN RESPONSE BY THE END OF THE WEEK TO HIS APPROACH TO THE FOREIGN MINISTER. IN ADDITION, A SENIOR FOREIGN MINISTRY OFFICIAL YESTERDAY USED A MONTHLY GATHERING OF COUNSELORS FROM NATO EMBASSIES AS AN OCCASION FOR SPELLING OUT IN SOME DETAIL NORWAY'S POSITIVE REACTION TO THE SECRETARY'S PROPOSAL. THE OFFICIAL MENTIONED BUT DOWNPLAYED THE NORWEGIAN SUGGESTION THAT THE OECD BE THE CONVENING AUTHORITY FOR THE PROPOSED ENERGY ACTION GROUP. END SUMMARY

1. FOLLOWING UP FOREIGN MINISTER FRYDENLUND'S REPORT OF INITIAL
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CABINET CONSIDERATION OF THE SECRETARY'S PROPOSAL (REF A), THE

SECRETARY GENERAL OF THE FOREIGN MINISTRY YESTERDAY (DECEMBER 19) TOLD THE AMBASSADOR BY TELEPHONE TO EXPECT A WRITTEN REPLY ON FRIDAY TO HIS LETTER INVITING A NORWEGIAN REACTION TO THE PROPOSAL. OTHER THAN INDICATING THAT IT WILL CONFIRM NORWAY'S POSITIVE REACTION, THE SECRETARY GENERAL WAS NONCOMMITTAL ON CONTENT OF THE LETTER.

2. A MORE DETAILED WORKING-LEVEL REACTION TO THE PROPOSAL, MEANWHILE, CAME ON DECEMBER 19 IN THE FORM OF AN ORAL PRESENTATION BY THE FOREIGN MINISTRY'S DEPUTY DIRECTOR GENERAL FOR ECONOMIC AFFAIRS, TORE BOGH, AT THE MONTHLY NATO COUNSELORS' LUNCHEON. SPEAKING ON THE ENERGY CRISIS, BOGH POINTED OUT TO NATO COLLEAGUES THAT EVERYONE IS TALKING ABOUT IT (AS, FOR EXAMPLE, AT THE EC SUMMIT LAST WEEK) BUT THAT SO FAR THERE HAVE BEEN ONLY TWO IMAGINATIVE SUGGESTIONS FOR DOING SOMETHING ABOUT IT--THE SECRETARY'S, AND, ON A MUCH MORE MODEST SCALE, THE NORWEGIAN PROPOSAL.

3. SPEAKING WITHOUT NOTES, BOGH DESCRIBED PRECISELY THE FOUR AREAS IN WHICH THE SECRETARY PROPOSED COOPERATIVE ACTION, NOTED FAVORABLY THE DESIRE TO ASSOCIATE PRODUCING STATES WITH THE ACTION GROUP, AND STATED THAT NORWAY HAD REACTED QUITE POSITIVELY TO THE PROPOSAL. IT WAS ALMOST AS A FOOTNOTE THAT HE ADDED THAT NORWAY THOUGHT OECD MIGHT BE THE APPROPRI*TE FORUM FOR CONVENING THE ENERGY ACTION GROUP.

4. DIGRESSING ON THE THIRD OF THE FOUR PROPOSED ACTION AREAS (GIVING PRODUCERS AN INCENTIVE TO INCREASE SUPPLY), BOGH NOTED THAT THIS MIGHT CAUSE PROBLEMS FOR NORWAY IF ITS INTENT WAS TO SPUR PRESENT PRODUCERS TO PUMP THE OIL MORE QUICKLY. THIS COULD RELIEVE THE PROBLEM TEMPORARILY, HE SAID, BUT IT WOULD HASTEN THE DAY WHEN PETROLEUM RESERVES ARE EXHAUSTED AND LEAVE THE WORLD IN EVEN WORSE SHAPE A GENERATION OR SO HENCE. TURNING TO THE NORWEGIAN CONTEXT, BOGH OUTLINED THE RATIONALE FOR THE FAMILIAR NORWEGIAN POLICY OF "MAKING HASTE SLOWLY" ON EXPLOITATION OF CONTINENTAL SHELF RESOURCES. TO LET EXPLOITATION DEVELOP INTO AN OIL BOOM, HE SAID, WOULD CREATE IMMEDIATE PROBLEMS FOR THE ECONOMY AND WOULD, MORE IMPORTANTLY, RISK BUILDING AN INDUSTRY AND AN ECONOMY BASED ON OIL THAT WOULD COLLAPSE ONCE THE RESERVES WERE GONE. NORWAY IS THEREFORE CONVINCED OF THE NECESSITY OF PROCEEDING AT A DELIBERATE PACE.

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5. BOGH EMPHASIZED THAT, HAVING SAID ALL THIS, IT DID NOT LESSEN NORWEGIAN ENTHUSIASM FOR THE SECRETARY'S PROPOSAL.

6. COMMENT: BOGH IS ONE OF THE FOREIGN MINISTRY'S SENIOR ENERGY EXPERTS, AND WE WOULD EXPECT THAT THE PROMISED WRITTEN RESPONSE WOULD REFLECT THE POSITIVE VIEW HE EXPRESSED. BYRNE

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